

Board of County Commissioners

Budget Discussion Item

Date of Meeting: July 24, 2001

Date Submitted: June 22, 2001

TO: Honorable Chairman and Members of the Board

FROM: Parwez Alam, County Administrator *PA 7/5*
Kim Dressel, Management Services Director *KD*

SUBJECT: Energy Savings Contract

STATEMENT OF ISSUE:

This item is offered for Board discussion of energy efficiency contracting for County buildings, pursuant to Florida Statutes, Chapter 489.145.

SUMMARY:

Included in the proposed FY01/02 Budget are a number of capital improvement projects relating to energy performance. These projects total \$295,700. If the proposed energy performance contract is ultimately executed these expenditures may not be necessary. The release of these funds would go towards future capital improvement requests as the out years of the proposed CIP are not currently balanced. The projects need to remain funded in the CIP until such time as the energy performance contract has been completed.

The County is reviewing the option of issuing an RFP to procure the services of a Energy Performance Contractor. The role of a Energy Performance Contractor would be to review the energy systems and equipment of all of the county buildings. The Contractor would inform the County of energy improvements that they recommend and will guarantee the utility and cost savings. The process for this Energy Performance project would be as follows:

1. After the RFP is awarded, the Energy Performance Contractor will perform an audit of the energy systems and equipment in all of the county facilities.
2. The Contractor will identify what projects will be required in order to provide energy efficiency and cost savings. The amount of the savings is guaranteed by the Contractor.
3. The Board will review the audit recommendations of the Contractor.
4. The Board may then:
 - Accept the recommendations of the Contractor and the projects will be funded and completed by the Contractor. The cost of the audit (\$150,000) and the cost of the energy savings projects are paid over a ten year period by the energy cost savings. The payment may be by way of a third party debt service arranged by the Contractor or by other funding mechanisms.
 - Reject the audit recommendations and reimburse the Contractor for the cost of the audit.
 - If the Contractor determines that the guaranteed cost savings are not sufficient to merit the project, then the contract will end and the County does not pay for the audit.

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BACKGROUND:

Included in the proposed FY01/02 capital budget are three energy performance related projects totaling \$295,700. These projects are Johnson Control Updates (\$168,700), Courthouse Cooling Towers (\$97,000) and Chiller Upgrades at the Main Library (\$30,000). As part of the energy performance contract these specific projects may be the responsibility of the selected vendor. The release of these funds would go towards future capital improvement requests as the out years of the proposed CIP are not currently balanced.

Leon County has been a partner in the U.S. Environmental Protection Agency (USEPA) "Green Lights" program since 1990. Our adherence to the guiding principles of this program has led to the conversion of approximately 100% of the available County building space to energy efficient lighting systems. The USEPA has further computed the net reduction in annual energy consumption costs that have been realized by these changes at a peak of \$275,000 a year, or approximately \$2,250,000 in savings over the past ten year period. Leon County also endorses the practice of purchasing products bearing the USEPA "Energy Star" designation. In fact, the Purchasing policy provides that all computer systems adhere to this designation.

Staff has identified Energy Performance Contracting (EPC) as a means to realize further energy savings. EPC is an agreement to provide energy efficiency services to a particular facility or group of facilities. This agreement includes a facility survey, as well as the design, installation, financing, and maintenance or management of the facility's energy systems or equipment in order to improve its energy efficiency. The energy savings are guaranteed and are used to repay the cost of the project. This comprehensive approach combines several of the project stages which traditionally have been done one step at a time. Instead, the stages of feasibility, design, installation or construction, maintenance and training can now be done with one procurement process—the Energy Performance Contract. Additionally, through EPC, results are guaranteed and financing is provided allowing an agency to get complete project, financing, installation, and guaranteed results simultaneously. In summary, there is no up-front capital requirement to an Energy Performance Contract. The upgrades and energy efficient improvements can be made immediately with savings guaranteed by the contractor to cover all project costs. If these savings are not achieved, the agency receives a check for the cost difference from the contractor.

Facilities Management presently administers a contract with Johnson Controls, Inc. (JCI), for the provision of energy management (EM) services in County buildings. These include monitoring and adjustment of heating, ventilation and air conditioning equipment; providing networked solutions for County building operations; conducting indoor air quality testing, adjustment and recording, etc. JCI is currently a qualified energy savings company (ESCO), in accordance with Chapter 489.145, Florida Statutes (see Attachment #2). At no cost to the County, JCI has recently issued a "Facility Efficiency Report for the Courthouse, Main Library, Jail and Sheriff's Administration Facilities" which provides a high level review of potential energy efficiency savings the County could realize through a various electrical and mechanical modifications.

ANALYSIS

While the JCI report does not provide a blueprint for realizing energy efficiencies through specific mechanical and electrical changes in each of the four facilities noted, it does point to significant

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operating efficiencies the County could realize under a contracted energy savings arrangement. The analysis provided by JCI further predicts the following outcomes for an EPC project:

- ▶ It is estimated that a \$2 million construction project is required to achieve the desired results;
- ▶ Approximately \$300,000 in annual energy savings is available by performing the project;
- ▶ Immediate results are available to the County with a ten-year pay back period (the capital project is paid for by the energy savings created).

If the Board is interested in considering the EPC process, the steps and decision points would be as follows:

1. Issue RFP for Energy Performance Contract (EPC) services with an ESCO*;
2. Make selection of ESCO*;
3. Comprehensive study (audit) by ESCO;
4. Review and approve ESCO recommendations*;
5. Agreement phase, outlining in detail what work will be done*;
 - ▶ If the County does not implement the audit's recommendations, then County pays for audit;
 - ▶ If the County implements the audit's recommendations, then the County does not directly pay for the audit – the cost of the audit as well as project improvements are offset (paid) through monthly utility savings;
 - ▶ If ESCO determines that available savings do not merit a project, then the arrangement is terminated by the ESCO at no cost to the County.
6. Project performed, and the debt service is commenced by third party as arranged by ESCO, or by other funding mechanisms.

Note: Asterisks (*) indicate decision points of the Board.

Once approved by the Board, it is estimated that this work can be completed within 10-12 months.

As the County would only pay the cost of the audit if the ESCO's recommendations are not implemented, the 2001/02 budget does not include funding for this initiative.

OPTIONS:

1. Direct staff to prepare an RFP for Energy Performance Contracting services with an ESCO for consideration by the Board.
2. Board direction.

RECOMMENDATION:

Option #1

Attachments:

- #1 Energy consumption costs of the Board of County Commissioners
- #2 Excerpted copy of Florida Statutes, Chapter 489.145

Utilities Paid by Facilities

Utility Payment Estimate for FY 01/02

Facility	Address	FY 97/98	FY98/99	FY 99/00	FY 00/01 YTD	(*)FY 01/02 Estimate
Courthouse	301 South Monroe Street	\$393,898.21	359,415.38	\$425,432.37	\$ 120,058.68	\$ 467,349
Facilities/Shop	1907 South Monroe Street	\$ 16,509.43	\$ 19,871.27	\$ 22,523.20	\$ 9,553.39	\$ 12,355
Traffic Court	1920 Thomasville Road	\$ 14,599.24	\$ 21,026.32	\$ 28,178.89	\$ 8,513.85	\$ 30,206
Veteran Services	1940 North Monroe Street	\$ 1,394.65	\$ 1,510.10	\$ 1,545.73	\$ 497.87	\$ 1,500
(1) Tax Collector, Mail		\$ 8,258.52	\$ 490.19	\$ -	\$ -	\$ -
Health Department	2965 Municipal Way	\$ 34,680.87	\$ 32,874.84	\$ 37,755.89	\$ 12,216.91	\$ 10,749
Robert Stevens	1515 Old Bainbridge Road	\$ 31,962.64	\$ 31,802.14	\$ 31,365.06	\$ 11,150.75	\$ 31,501
Southside Clinic	872 West Orange Avenue			\$ 5,857.27	\$ 8,125.09	\$ 21,852
Mosquito Control	501 S. Appleyard	\$ 10,184.50	\$ 7,523.86	\$ 9,544.43	\$ 4,494.57	\$ 2,091
Library - Main	200 W. Park Avenue	\$190,008.11	\$177,261.55	\$184,959.29	\$ 49,869.03	\$ 202,808
Library - NE	5513 Thomasville Road	\$ 7,978.94	\$ 7,230.26	\$ 15,611.38	\$ 1,818.47	\$ 31,082
Library - Parkway	1210 Capital Circle SE	\$ 3,206.45	\$ 3,003.05	\$ 4,988.48	\$ 1,770.60	\$ 5,173
Library - N. Monroe	3840 North Monroe	\$ 6,109.80	\$ 6,744.82	\$ 7,976.83	\$ 3,486.75	\$ 9,530
(2) Ft. Braden Branch Library	16327 Blountstown Highway			\$ 852.23	\$ 170.06	\$ 5,200
(3) Bookmobiles		\$ 194.38	\$ 195.66	\$ 192.95	\$ 52.03	\$ 200
(4) County Cemetery		\$ 105.36	\$ 106.58	\$ 105.46	\$ 32.84	\$ 106
Animal Control		\$ 25,694.03	\$ 28,899.67	\$ 27,904.06	\$ 9,681.43	\$ 24,678
Amtrak Building	918 Railroad Avenue	\$ 21,696.09	\$ 22,974.71	\$ 23,489.62	\$ 9,441.13	\$ 25,301
Warehouse	2280 Miccosukee Road			\$ 10,162.52	\$ 7,092.22	\$ 10,856
(5) Library - B.L. Perry	South Adams	\$ -	\$ -	\$ -	\$ -	\$ 31,000
Totals		\$766,461.22	\$720,930.40	\$838,445.66	\$ 258,025.67	\$ 923,337

Notes:

* Estimates for Fiscal Year 2001/2002 provided by the City of Tallahassee Utility Department. Figures include estimates for sewer, water, fire services, stormwater, garbage, gas, gross receipts tax(gas), electric cust., (energy & fuel), electric kVar, PCES discount, and gross receipts tax (electric)

(1) The tax collector, Mail utility bill is no longer paid by facilities management.

(2) The Ft. Braden Branch has yet to open, this is not property within the City of Tallahassee limits. Talquin utility property. Estimate provided by Leon County OMB.

(3) Estimate provided by Leon County OMB.

(4) Estimate provided by Leon County OMB.

(5) B.L. Perry Branch has yet to open, Estimate provided by Library Division. (Should be similar to Northeast Branch)

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489.145 Energy efficiency contracting.—

(1) **DEFINITIONS.**—As used in this section, the term:

(a) "Agency" means the state, a municipality, a school district or school board, or another political subdivision.

(b) "Energy conservation measure" means a training program or facility alteration that reduces energy consumption or operating costs and includes:

1. Insulation of the building structure and systems within the building.
2. Storm windows and doors, caulking or weatherstripping, multiglazed windows and doors, heat-absorbing, or heat-reflective, glazed and coated window and door systems, additional glazing, reductions in glass area, and other window and door system modifications that reduce energy consumption.
3. Automatic energy control systems.
4. Heating, ventilating, or air-conditioning system modifications or replacements.
5. Replacement or modifications of lighting fixtures to increase the energy efficiency of the lighting system without increasing the overall illumination of a facility, unless an increase in illumination is necessary to conform to the applicable state or local building code for the lighting system after the proposed modifications are made.

6. Energy recovery systems.

7. Cogeneration systems that produce steam or forms of energy such as heat, as well as electricity, for use primarily within a building or complex of buildings.

8. Energy conservation measures that provide long-term operating cost reductions and significantly reduce Btu consumed.

(c) "Energy savings" means a measured reduction in fuel and energy costs created from the implementation of one or more energy conservation measures when compared with an established baseline for previous fuel and energy costs.

(d) "Guaranteed energy savings contract" means a contract for the evaluation and recommendation of energy conservation measures, including the design and installation of equipment to implement one or more of such measures. The contract may cover repair or replacement of existing equipment in a state-owned building or a state-owned hospital, professional fees, and financing charges to be paid from the energy savings less agreed-upon inflation factors, and maintenance services if applicable.

(e) "Qualified provider" means a person or business that is licensed under chapter 471, chapter 481, or this chapter, and is experienced in the design, implementation, or installation of energy conservation measures through guaranteed energy savings contracts.

(2) PROCEDURES.—

(a) An agency may enter into a guaranteed energy savings contract with a qualified provider or providers to significantly reduce energy or operating costs of an agency-owned building or an agency-owned hospital through one or more energy conservation measures.

(b) Before entering into the contract, the agency must obtain from a qualified provider or providers a report that summarizes the costs of the energy conservation measures and provides an estimate of the amount the energy or operating costs will be reduced.

(c) After a review of the report, the agency may enter into a contract if it finds that the amount it would spend on the energy conservation measures is not likely to exceed the amount to be saved in energy and operating costs for 10 years from the date of installation if the

recommendations in the report were followed and if the qualified provider or providers give a written guarantee that the energy or operating cost savings will meet or exceed the costs of the system. The contract may provide for installment payments for a period not to exceed 10 years.

(d) A qualified provider or providers must be selected in compliance with s. 287.055; except that if fewer than three firms are qualified to perform the required services, the requirement for agency selection of three firms, as provided in s. 287.055(4)(b), and the bid requirements of s. 287.057 do not apply.

(e) Before entering into a contract under this section, an agency must provide published notice of the meeting in which it proposes to award the contract, the names of the parties to the proposed contract, and the contract's purpose.

(3) CONTRACT PROVISIONS.—

(a) A guaranteed energy savings contract must include a written energy guarantee by the qualified provider or providers that savings will meet or exceed the cost of energy conservation measures.

(b) The contract must provide that all payments, except obligations on termination of the contract before its expiration, may be made over time, but not to exceed 10 years from the date of complete installation and acceptance by the state, and that the savings are guaranteed to the extent necessary to make payments for the systems.

(c) The contract must require that a qualified provider or providers to whom the contract is awarded provide a 100-percent project value bond to the state for its faithful performance, as required by chapter 287.

(d) The contract must provide for payments of not less than one-tenth of the price to be paid within 2 years from the date of the complete installation and acceptance by the state, and the remaining costs to be paid at least quarterly, not to exceed a 10-year term.

(e) The contract may extend beyond the fiscal year in which it becomes effective; however, the term of any contract expires at the end of each fiscal year and may be automatically renewed annually up to 10 years, subject to the agency making sufficient annual appropriations based upon continued realized energy savings.

(f) The contract must stipulate that it does not constitute a debt, liability, or obligation of the state.

History.—

s. 1, ch. 94-112.